GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:2841
ANSWERED ON:01.08.2002
SLOW PACE OF POWER REFORMS
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Will the Minister of POWER be pleased to state:

(a) whether Planning Commission observed slow pace in the power sector reforms inits recent report on the working of the State Electricity Boards;

(b) if so, the details thereof; and

(c) the steps proposed by the Government to accelerate the pace in power sector reforms in the light of the recent observations of the Planning Commission?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) & (b) : The Planning Commission in its Annual Report (2001-02 on the Workingof SEBs has observed that the sole objective in launching of the reforms in 1991was to mobilize private sector resources for power generating capacity addition. At the end of the decade, it is seen that the additionality through independent power producers is woefully short of expectations. Against the target of 2810 MW in the 8th Plan, the actualachievement was around 1430 MW. In the 9th Plan period against the targeted capacityaddition of 17588 MW through private sector projects, the achievement in the private sector was only 5061 MW resulting in a shortfall of 71.2%. The main reasons for the shortfall in capacity addition programme of private sector projects are: delay in financial closure of the project and the absence of adequate arrangements for ensuring payment security due to poor financial position of most of the SEBs.

(c) : A consensus was reached in the Conference of Chief Ministers/PowerMinisters held in March, 2001 on the need to depoliticise power sector reforms and speed up their implementation and that the real challenge of reforms lies in distribution sector. It was resolved in the conference to achieve break even in distribution in two years time and achieve positive returns thereafter. It was also resolved that State Electricity Regulatory Commissions (SERCs) would be made functional and tariff petition filed and subsidy may be given only to the extent of State Government`s capacity to pay the subsidies explicitly through budget. The Government of India has been signing Memoranda of Understanding (MoU) with States reflecting the joint commitment of theCentre and the States to undertake reforms in a time bound manner. These require the States to set up SERCs, undertake energy audit through full metering, reduce transmission and distribution losses and attain commercial viability. In reciprocation to the efforts of the States to achieve agreed milestones, the Central Government has committed assistance including allocation of additional power from unallocated share from Central Generating Stations, funds under specific programmes/schemes etc.The MoUs are now being fleshed out into MoAs with clearer and more specific milestones as the reform programme in the State is acquiring concrete shape. 22 States have been covered by this exercise till now.

The Accelerated Power Development and Reform Programme (APDRP) is designed to finance specific projects in identified distribution circles for a quick turn around and creation of centres of excellence. Initially, 63 circles have been taken up for development as centres of excellence on the basis of well designed Detailed Project Reports (DPRs).The programme is being extended to cover concentrated loads and towns with population of over 1 lakh where work on preparing DPRs has been initiated. The base line data of DPRs is crucial for evaluating the results of the programme which isaimed at improving quality of supply as well as controlling theft and improving the financial health of the sector. This programme also includes an incentive scheme aiming at actual cash loss reduction by SEBs/Utilities.Under this scheme, there is provision for grants by the Ministry of Power to SEBs/Utilities for actual loss reduction.

So far States of Orissa, Haryana, Andhra Pradesh, Karnataka, Uttar Pradesh, Rajasthan, Madhya Pradesh, Delhi have unbundled their electricity boards. 21 States have notified constitution of State Electricity Regulatory Commissions and 12State Electricity Regulatory Commissions have passed tariff orders which reflect a trend towards tariff rationalisation.

Government of India has recently approved a scheme for securitisation of dues owed by the State Electricity Board to CPSUs. The scheme provides that 60% of the interest/surcharge on the delayed payments as on 30.9.2001 would be waived off and the rest of the dues would be securitised through tax-free bonds issued by the respective State Governments. There would also be incentives to the States for timely payment of current dues. Default in making current payments shall attract, inter alia suspension of funds under APDRP.With the Securitisation of past dues by the State Government and thecreation of the discipline of full payment for current supplies, the raising of the requisite resources from the market for the ambitious capacity addition programme of the CPSUswould

become feasible. The State Governments can also use this to give their powerutilities clean balance sheets to enable them to fully access markets for funds to finance their investment programmes.